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DEPT FOR ISN AND EAP

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SUBJECT: (S) PRC SAYS NOTHING NEW TO REPORT ON LIMMT
DEADLINE; INVESTIGATION STILL ONGOING

REF: A. 06 STATE 38936 B. 06 BEIJING 04561 C. 06 BEIJING 04854 D. 07 STATE 111099 E. 07 BEIJING 05269 F. STATE 13756 G. BEIJING 00481 H. STATE

Classified By: Acting Political Minister Counselor Ben Moeling.
Reasons 1.4 (b), (c) and (d).

¶1. (S) Summary. MFA Arms Control and Disarmament Department Missile Division Director Zhang Junan briefed Poloffs on June 27 regarding the PRC's investigation into LIMMT and eleven other companies. Director Zhang provided no new information on actions taken against LIMMT, stating only that investigations are still "on-going" against LIMMT and Karl Lee, the owner of the company. Zhang stated that as of June 2006 LIMMT no longer existed as a business entity, and thus is unable to conduct export activities. Zhang also declared that "Sunny Dalian Industries" does not exist according to local PRC office records. Director Zhang reiterated that possible U.S. sanctions against LIMMT would "do no help" on PRC efforts on the LIMMT case and would instead "do harm to our cooperation and bilateral relations." End Summary.

Results of Investigation on LIMMT

¶2. (S) Zhang stressed that the Chinese Government attaches high importance to the LIMMT case and that many government agencies are involved in the investigation. He added that the Chinese General Administration of Customs, on several occasions, confiscated goods to be exported by LIMMT. As of June 2006, however, LIMMT no longer existed. Zhang said that LIMMT had applied to renew its business license but the application was denied by the Government. Zhang added that "relevant" government authorities are still watching Karl Lee, the former head of the company, for other possible export control violations using other companies or names.

¶3. (S) Reviewing previous information provided by the Embassy and U.S. officials, Zhang said that China was notified by the U.S. in September 2007 (Note: We believe he was referring to ref D demarche delivered in August 2007. End note.) and February 2008 (ref F) regarding LIMMT's attempts to export tungsten copper alloy plates and tungsten powder to Iran under the name Dalian Sunny Industry. Zhang said that the PRC, after conducting its investigations, found no evidence to support these allegations against LIMMT by the United States. In addition, the investigation uncovered that no company operated under the name Dalian Sunny Industry according to the records of local offices. Zhang stated that the PRC believes that the Chinese Government has satisfied its obligations with regard to the August/September 2007 demarche and the February 2008 demarche.

¶4. (S) Director Zhang also reviewed the U.S. demarche charging that LIMMT had received an order for 100 tungsten copper plates from Shahid Bakeri Industrial Group (SBIG), an Iranian company currently subject to U.S. sanctions (Ref G). According to Zhang, the non-paper claimed that LIMMT had planned to ship 350 graphite rods to SBIG and to export guidance and navigation equipment to Iran, and was likely conducting negotiations to make these sales. Zhang stated "this case is complicated" because there are many export activities and the investigations are still ongoing. Zhang claimed that the relevant PRC authorities are "carrying out the necessary procedures," not only against LIMMT but against Lee personally.

¶5. (S) Zhang emphasized that the PRC "cares more about these activities and nature of the exports than the United States" because the company and individual are Chinese, and it is the Chinese Government's duty to punish any who violated the laws. He also stressed that the PRC does not protect anyone who violates its laws and regulations on export controls.

¶6. (S) Zhang reiterated Ref I statement that sanctioning LIMMT would have "no effect" because the company ceased to exist and said sanctions would only serve to "harm cooperation and bilateral relations" between China and the United States. Zhang urged the United States to "deal with the issue in a cautious way."

¶7. (S) Details on the other eleven cases raised in the meeting to follow septel.
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End Cable Text